

HCS HB 1605 -- EARNED INCOME TAX CREDIT

SPONSOR: Kelley

COMMITTEE ACTION: Voted "Do Pass with Amendments" by the Standing Committee on Ways and Means by a vote of 10 to 0. Voted HCS "Do Pass" by the Select Committee on Financial Institutions and Taxation by a vote of 9 to 0.

This bill establishes the Missouri Earned Income Tax Credit Act which authorizes, beginning January 1, 2017, an individual income tax credit based on a taxpayer's Missouri taxable income and family size instead of a percentage of any earned income tax credit claimed by the taxpayer on his or her federal income tax return. For the first year, the credit ranges from \$50 to \$600 and from \$100 to \$1,200 for the second year and all years after that. Any credit that exceeds the taxpayer's liability in any tax year cannot be refunded to the taxpayer.

This bill is similar to HB 1296 (2015).

PROPONENTS: Supporters say that this bill creates a way to get a tax cut to working poor families to help with groceries and other necessary expenses. A taxpayer can only get a credit for taxes that the individual pays. The average benefit for a family with an adjusted gross income between \$20,000-\$40,000 is a little under \$300. This credit would reduce taxes on people who work but struggle to get by because of low wages. No worker should live in poverty. Missouri's current tax system is outdated with the income tax table from 1931, and it is inadequate and unfair. The bill will put money back into the economy. It is good for the economy and people. Twenty-six states offer a state earned income tax credit program.

Testifying for the bill were Representative Kelley; Empower Missouri; Missouri Family Network; Missouri Association For Community Action; Missouri Children's Leadership Council; St. Louis Regional Chamber; United Way Of Greater Kansas City; and the Missouri Budget Project.

OPPONENTS: Those who oppose the bill say that tying the credit to the federal credit is a mistake. There is a 25-30% error rate on federal returns with the federal credit. Opponents recommend the state develop its own credit program.

Testifying against the bill were the MSCPA and United For Missouri.